ERIODICAL ISSUE . . .
ADING ROOM

COMMUNITY OF INTEREST—A CONCEPT OF PUBLIC RELATIONS 2
Huntington Harris

THE FUTURE OF CORPORATE PUBLIC RELATIONS 9
An Interview with John W. Hill

COST ACCOUNTING FOR THE PUBLIC RELATIONS FIRM 19
Alfred G. Paulson

ADDITIONAL NOTES ON THE RAILROAD TRUCKERS CASE 27
Edwin C. Kepler

SILVER ANVIL AWARDS 36

REGULAR FEATURES: In and About This Issue, 1/Book Reviews, 29/Scanning the Professional Journals, 34.

THE QUARTERLY REVIEW OF PUBLIC RELATIONS

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SPRING 1961

Public relations doesn't lack for definitions. But such are the facets and ramifications of our field that a thoughtful re-examination is in order from time to time.

In "Community of Interest—A Concept of Public Relations," (page 2) **Huntington Harris** offers a simple working definition: "Public relations is the art of discovering and furthering a community of interest between one activity and others." By way of illustration, he applies his concept to business, labor, politics and international relations. He concludes with what we think is an admirable fixing of the role of public relations, as " . . . the proper and civilized means of accommodating the strains and conflicts within a highly complex and sophisticated society."

Dr. Harris has been a close observer of public relations for many years. Formerly an expert in propaganda in the federal government, he is president of Press Intelligence, Inc., of Washington, D. C., a clipping and press analysis organization. He was co-author (with Paul M. Lewis) of "Some Methods of Measuring Press Attention" in the October, 1955 issue of The Quarterly Review. Dr. Harris is also chairman of the board of the Farrington Manufacturing Company.

* * *

One advantage of a new field like public relations is that many of the men and women who developed it are still with us and available. To capture their reflections and wisdom we have, almost from the beginning, conducted staff interviews with leading practitioners.

In this issue we are proud to present such an interview (page 9) with **John W. Hill,** chairman of Hill and Knowlton, Inc., the largest, and one of the oldest, public relations firms in the world. Mr. Hill, a native of Indiana and a former newspaper man, entered corporate public relations in 1927. He formed his partnership with Don S. Knowlton in 1933. His book, "Corporate Public Relations—Arm of Modern Management," published in 1958, provoked much favorable comment. Hence, it is natural that our interviewer, Contributing Editor **John H. Smith, Jr.,** has used the book as a basis for many of his questions.

Past interviews have been held with Edward L. Bernays, Earl Newsom and Denny Griswold.

* * *

"Cost Accounting for the Public Relations Firm," (page 19) is the second of three articles by **Alfred G. Paulson** on the business side of public relations. His first article, "Fee Billing: A Return for the Effort Spent," in the Winter Issue, discussed cost relationships and how they can be used in determining fees and billing methods. The present article deals with the mechanics of cost accounting systems.

Mr. Paulson is vice president and controller of Ruder & Finn, Inc., and formerly was with the accounting firm of Arthur Andersen & Co.

* * *

When the first court decision in the "railroad-truckers case" exploded in the PR arena, Executive Editor **Edwin C. Kepler** did an analysis of the significance of the ruling for public relations. (See "Notes on Judge Clary's Opinion, July 1958"). Now that the Supreme Court has reversed the earlier ruling, Mr. Kepler has prepared a brief follow-up, "Additional Notes on the Railroad Truckers Case" (page 27).

The legal decisions have been made. But we think the thoughtful practitioner will, for some time to come, find much to ponder in Mr. Justice Black's comments.

* * *

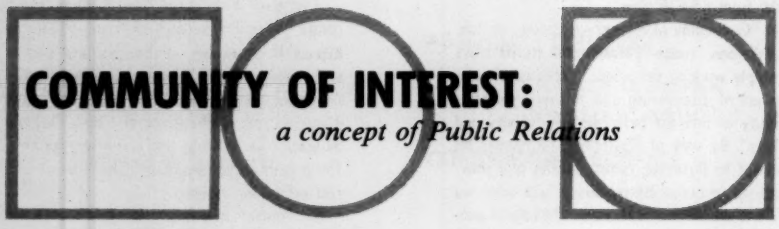
In our book review section (page 29) **Don Colon** reminds us that timely books are not always the newest. As a guide to the current discussion of business ethics, he re-reviews the 1954 best-seller, "Ethics in a Business Society."

* * *

Our recurring featuring "Scanning the Professional Journals," by **Dr. Donald W. Krimel** appears once more in this issue (page 34).

* * *

The 17th Annual APRA Silver Anvil Awards winners are listed on page 36-37. This is the last time that this competition will be conducted by its founders, the American Public Relations Association. With the merger of APRA and PRSA, the competition will be continued by PRSA.



COMMUNITY OF INTEREST:

a concept of Public Relations

by HUNTINGTON HARRIS

PUBLIC RELATIONS is a term so eroded by use and over-use that its meaning appears to have lost all precision. Indeed, the term seems to have joined other much-used and well-worn expressions—such as "the free enterprise system" or "state's rights"—in a common limbo of rhetorical fog.

Public relations is something of which most everyone is somehow aware, and the need for it, in one way or another, is generally accepted. In fact, it would probably be difficult to find now-a-days any medium-size to large company or agency that does not retain some designated practitioner of the art, however obscure his actual functions. At the same time, many of us would be considerably embarrassed if pressed for a concise, intelligible definition of the subject.

Here is a simple, working definition. Public relations is the art of discovering and furthering a community of interest between one activity and others.

This definition derives from and leads back into, a number of serious considerations. The most important of these is that, in our society, there is no one, single, all-embracing community of interest. Unlike the theocratic societies, and, before that, the tribal organizations, out of which our society has grown, there is no dominating point of reference, defining and limiting all aspects of the structure, central to our own. On the contrary, our society is made up of an enormous variety of diverse interests, and it can muster an over-riding identity of purpose only in times of major national crises.

Conflict and Community of Interest

One concommitant of the rise of modern society is the gradual elimination of the use of direct force, either by the State or by individuals, in the pursuit of their proper aims. Indeed, it is unlikely that the admirable variety of modern society could exist at all, were the free exercise of force or coercion still generally permitted. Conflict still exists; in some ways, because of the very diversity of the society, there is much more of it than in other types of society. Indeed, the presence of conflict of interest, and parallel to this, of indifference to the interests of others, lies at or near the heart of our social organization.

Only in such a situation can the art of public relations exist, let alone flourish, since it replaces direct force as the accepted mode of influencing others. Public relations is not, then, a matter of engineering public consent (in the current popular phrase); it is a matter of finding and furthering the conditions under which public *assent* can exist. Public relations is not a matter of deluding the public into the acceptance of someing contrary to its own best interest (as it sees it), for this is fundamentally impossible. It is a matter of pointing out and elaborating the circumstances that will unite two or more mutually unaware or divergent intersts.

How Concept Applies to Business PR

As illustration, one of the familiar, major areas of conflict and indifference in our society is in its economic organization. Here, the main contending forces are very diverse indeed, both as between themselves and within their own constituent parts. The public relations problem in this case is not only to establish an authentic community of interest within business, on the one hand, and labor, on the other, but also to effect an identity of interest between one or the other of the contending parties with the majority of the population and its own interests.

This is extremely difficult to do, and neither side has been entirely successful. The attempt to establish an identity of interest within the business community has been based largely on the presumption that the free enterprise system consists of a common set of values and procedures to which, in detail, the entire business world subscribes. In practice, however, the attempt to create an internal solidarity in the business world has tended to founder over the conflicting interests of specialized business groups—pressing for agricultural subsidies, depletion allowances, depreciation tax credits, tariff preferences, or whatever—and has been unable to establish a firm common ground for them all.

By the same token, the attempt to establish an identity of interest between the public as a whole and the business community in particular has not been successful, since the idea of the free enterprise system, although carrying with it the most favorable overtones of independent hardihood and proper rewards to the practice of the accepted American virtues, is both seen and felt to be rather different from the actual conduct of business life.

Labor's PR Bumps Conflict of Interest Problems

Labor, in this conflict, is faced with a similar public relations problem. It has proven to be impossible in this country, thus far, to establish an overriding community of interest among working people, considered as such. The labor movement, on the contrary, has tended to become a series of groups devoted to the advancement of their own specialized interests, which are not infrequently in violent, or even bloody, conflict with other labor groups.

In its attempts to establish a community of interests with the public as a whole, labor has also been somewhat unsuccessful. Here, the proposition is that the public should believe, not that what is good for General Motors is good for the country, but, in effect, that what is good for the AFL-CIO is also good for the country. But this effort has not succeeded, partly because of the evident disagreements within labor, but also because of the widespread suspicion that some parts of labor, at least, are so divergent in their aims from those of the general public that no community of interest can possibly exist.

Lack of Basis for Conflict in Politics

Another familiar area of conflict, and one which is fought almost entirely in terms of public relations, is that of national politics. Here we have the spectacle of the two major traditional political parties each endeavoring to persuade a working majority of the public that its aims are identical with the best interests of the entire public. The curious aspect of this conflict, from a public relations point of view, is that, owing to the gradual solution or suppression of many acute national problems—slavery, tariffs, the disposition of the undeveloped West, the wars incident to our territorial expansion, and so forth—that it is extremely difficult, not to assert that one party is more in line with the collective public interest than the other, but to find any solid basis of conflict on which to found either party and validate the assertion. As a result, we see that, by and large, the recent national campaigns have tended to become public relations productions centered around the individual candidates, rather than around the parties and the issues out of which they originally grew.

Another Example: International Relations

Still another area of conflict that serves to illustrate the nature of public relations is in the international arena. Here we see a tremendous struggle, fought as much with the weapons of public relations as it is by force of arms and economic coercion, between ourselves and the Russians for the effective mastery of the world. The public relations problem of the United States in this conflict is twofold: first, to persuade the Russian people of a real community of interest between themselves and the American people; and, second to persuade the rest of the world that there is a similar community of interest between it and ourselves.

The first part of the problem is exceptionally difficult, maybe even impossibly difficult for some years to come. This is not only because we have very little knowledge of the terms and values that are meaningful to the Russian people today, and hence have great difficulty in translating from our terms into theirs, but also because the Russian Government makes it virtually impossible for us to get through to its people.

The second part of the problem is certainly complex, but at least there are no, or relatively few, deliberate barriers to communication put in our way.

Applying the Concept in PR Work

On a less exalted level—the kind with which most of us are concerned—a proper public relations program is, in the first instance, usually a matter of ascertaining those sections of the public who have a natural community of interest with the matter in hand. This is not always as simple as it may appear, for areas of common interest may turn up in very surprising places. Indeed, it is in the exercise of imagination at this particular point that the truly competent practitioner of public relations distinguishes himself from the hack.

These things, once discovered, are often quite simple, and depend for their effect on the most ordinary considerations of self-interest. For example, it might turn out that a natural ally (in these terms) of those looking for relaxed relations with Communist China are the brush manufacturers, owing to the exportable surplus of hog bristle in that country. Or it might be found that manufacturers of chalkboards are natural allies of those interested in expanded federal aid to education, since increased school construction would produce an expanded market for the product. Or it might be found that movie theatre operators could be persuaded to drop their opposition to daylight saving time, in alliance with the power

companies, on a demonstration that drive-in theatres would, under DST, have one hour less of darkness in which to operate.

In the second instance, a proper public relations program will try to ascertain the existing areas of conflict or—just as important—the existing areas of indifference, in order to devise intelligently a means of counteracting the hostility, or of converting the indifference into something approximating support. In both cases, the natural allies are almost defined by the situation itself. The manufacturer of shoes defines suppliers, certain types of labor, and a certain market; while a welfare agency is equally defined by the laws creating it, the need it is expected to fill, and the personnel and material resources it must have to do its job.

Determining Areas of Indifference

The areas of indifference and outright conflict become, accordingly, very important. The launching of a new product, or the finding of new uses for an old product, may require a major effort of public relations to arouse the interest and purchases of an otherwise indifferent public, or of combatting the rival pretensions of another, similar product. The same may be true of an agency, whose life may depend, not so much on the continued good will of those it serves, but on the opposition of those who propose to do the same job in another way, or claim it needn't be done at all, and of those whose entire unawareness of the undertaking can of itself cause its death. Very likely, it is public indifference—using this term in a very comprehensive sense—that is the main public relations problem of welfare agencies; and it is to the discovery of the grounds for sympathy and support, however obscure or recondite, that their principal public relations efforts should bend themselves.

Having defined the areas in which any particular public relations program should attempt to establish a community of interest, the next task is to reach the desired audiences. In a sense, the definition of the initial problem also produces its own answer; that is, once the particular audience has been defined, the means of reaching it are almost self-evident. Thus, if it is concluded that the housewife should be reached, it follows that there are certain known advertising media, radio programs, magazines, etc., etc., which could be used appropriately for the purpose.

The real public relations skill here, however, where it is a matter of more than just paying for advertising, is not so much in a knowledge of the so-called media of communication, but in the knowledge of how to persuade the media to use the material you would like them to carry. This need not be labored for this audience.

There is, of course, a whole range of means of communication beyond the so-called mass media. The homely old methods of gossip and rumor are still operative, and in many situations very effective. And there are many additional ways of getting a point of view across that may safely be left to the imagination.

Finally, having defined the proper areas for a public relations program, and having determined the means by which it is to be carried out, there remains the matter of evaluating the effort.

Evaluation of Effort Through Record Keeping

In this area, there are ways and means of measuring performance, and of identifying the reasons for the mechanical failure of the public relations effort. Some of these, such as public opinion polls, can be very helpful in suggesting changes of method, and of anticipating final results.

But all of this suffers from two important limitations. One is that these devices follow, for the most part, the rush of events at so great a distance that they cannot be very effectively used in an immediate situation. The conclusion of a public opinion poll, taken a week before an election and announced a week after (for example), is of very little practical help to either the winning or losing candidate.

The other limitation is that, for the most part, interest in the efficacy of the means is entirely subordinate to the success of the results. In other words, if the sale of a widget is eminently profitable, there will be little immediate occasion for reflection on the details entering into the success; or, if the agency appropriation for the ensuing year is doubled, there will not be much pressure for an extensive and early study of all the circumstances lying behind this happy result.

In consequence, apart from internal administrative uses (which are considerable), measurements are mostly desirable in providing background information for future, or for on-going, public relations efforts. It is very desirable that a running account be kept, by whatever means may be appropriate, of a public relations program. But this is useful largely as a guide to future action, rather than as a present help.

Summary

To summarize this brief account of what public relations is, and of how a public relations program should operate, I would like to make the following points.

1. Public relations is the art of establishing and furthering a community of interest between one activity and another.

2. It is wholly dependent on the skillful use of the arts of persuasion.

3. It can be studied, measured, and analyzed but its most successful practitioners will be distinguished chiefly by their imaginative use of past experience.

4. It is, in sum, the proper and civilized means of accommodating the strains and conflicts within a highly complex and sophisticated society. ●

* * *

Municipal PR at Work

"Chattanooga, Tennessee, has produced a 30-minute, 110 color slide program presenting the story of a young couple—prospective new citizens of the city—and their careful examination of the community and its services. A joint undertaking of the city and the Adult Education Council of Chattanooga, it is designed to show the whole complex of municipal services. The couple in the film slide program investigate schools, recreational facilities, police and fire protection, the city's planning for the future, urban renewal projects and new freeways."

—*Public Management,* Journal of the International City Manager's Association

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The Information Revolution

"We are entering upon an Information Revolution in which the supply of data increases by geometric progression.

"The most successful decision-makers will be those who can best process, interpret, and put facts to use.

"One of today's data-processing machines can read or write at the rate of four full-length novels a second; its 640 cartridges hold 220 miles of magnetic tape. Machines such as this will be fed by a growing corps of government, business, and scientific researchers, stimulated by today's greater appetite for knowledge.

"Production of the sheer mass of information will increase at a far higher rate than our Gross National Product or any other production growth. It is not unthinkable that some day we may need the storage bins of the farm surplus program to accommodate the outpouring of data we will have at hand.

"The key question, then, is—how well will we use this mass of raw information?

"If a little learning is a dangerous thing, too much—that is, knowledge not put to good use—can be a costly waste. Too many undigested facts can turn a man of action into a Hamlet, paralyzed by indecision. Like the raw materials of industry, information must be converted into something. What is required is a discriminating selection which can deliver relevant data in a form usable at the echelon of decision. The research study that collects dust on shelves may very well have merit; the fault is a failure to relate its data to the problem it was designed to help solve.

"Information may involve anything from the most minute and finite to the universal. Processing information today calls not only for distinguishing the forest from the trees, but distinguishing between leaves and cholorophyll—while still not losing sight of the forest.

—Marion Harper, Jr., *President and Chairman of the Board, McCann-Erickson Inc., the Sixteenth Charles Coolidge Parlin Memorial Lecture*

THE FUTURE OF CORPORATE PUBLIC RELATIONS

AN INTERVIEW WITH JOHN W. HILL

This exclusive interview with John W. Hill, Chairman of the counseling firm Hill and Knowlton, Inc., is based on observations and developments related to the subject matter of his book, "Corporate Public Relations—Arm of Modern Management." Editor John H. Smith, Jr. conducted the interview.

Q. What problems mentioned in your book on "Corporate Public Relations" have received the most public relations attention in the past ten years, Mr. Hill?

A. The most significant of all public relations developments in the past decade has been the growing recognition and acceptance by top management of public relations as one of its major responsibilities taking rank with sales, engineering, and financial matters. Unfortunately, not all managements have arrived at the concept, but most alert ones have, in my opinion, because the fact is that every company has public relations whether it knows it or not, simply by virtue of the fact that it deals with people.

Critical developments, such as anti-trust and other actions against business by government agencies, mergers, health charges against products and proxy contests, are the corporate problems that necessarily require intensive public relations attention when they appear. But, on a broad continuing basis, some of the principal problems to which companies have paid most consistent attention are:

a) Labor relations—not only with respect to contract negotiations and strikes, but in the positive terms of getting employees and the public to understand the realities of wage-price cycles, competition, squeeze on profits, inflation and the essentiality of adequate earnings for investment in modernization and growth.

b) Corporate identification—getting the public, customers and investors to know the company better—its products, its place in the industry, and its value as an investment.

c) Financial relations—in the sense of providing more effective information to stockholders through financial reports and rela-

tions with security analysts—and helping in the acquisition of investment capital for expansion of the business.

d) Pressures of competition—over the past decade, competition in almost all industries has become intense and public relations has had to play an important part in helping the corporation present its products and research to the customers. Not only corporations, but whole industries, are involved in this competitiveness. Take steel, for example, which has been steadily stepping up its marketing programs in competition with other materials. It never had done that before.

e) Communities—the problem of fitting into and adjusting to the place where a plant is located has given rise to important activity in community relations.

These problems have brought home to management the fact that public relations has a direct and positive bearing upon the balance sheet and for that reason, if for no other, demands top management policy attention. I say "if for no other," but there is another reason why managements of corporations have accepted public relations as a major responsibility. There is an increasing feeling that, without in any way diminishing the profit motive, business has a civic and public responsibility which cannot be safely neglected.

Q. On hindsight, then, does it strike you that corporations do recognize their most critical public relations problems?

A. It is clear that some companies were not aware that critical public relations problems were festering until the blow came in the form of government charges, Congressional investigations, or some other like development. Right out of the blue. Once such a problem is recognized, it generally is dealt with in the most effective way possible.

Q. In your book, you devote a chapter to the political problems of bigness. How do you rate this particular problem today and what effect, if any, do you think the change of administration has had on it?

A. Well, I can assure you it is still a very important issue. It will probably continue to be as long as there is any political kudo in attacking big business.

In some instances, corporations find themselves in a paradoxical position. It has been axiomatic that a company will survive and grow only as it competes successfully. It also is a truism that successful competitors are efficient and, therefore, generally are able to offer better products at lower prices to the consumer than are inefficient producers.

However, with this premium on competitive ability, we find the government has increasingly moved toward penalizing successful compe-

titors on the sheer basis that they have grown large because they are good competitors. In the name of protecting the public, efficient producers are harassed in order to protect inefficient producers.

That may be one way to control bigness, but it certainly does not promote efficiency of operations from which the consumer public benefits.

As far as this Administration goes, I see no evidence of any more favorable attitude toward business. On the contrary, I see many signs of a growing hostility toward business, especially in the anti-business sentiment expressed by key appointees to regulatory agencies and top administrative posts. This philosophy points increasingly toward bigger and bigger centralized government with steadily growing power over the economy.

Q. What emerging new problems do you think corporations will have to give more attention to in the future than they have in the past?

A. There are a number that I would point out. One is internal communications. While this is not a brand new problem, it is one which will call for increasing skill and attention in the years ahead.

Q. Do you see public relations playing a stronger role in internal communications than has been customary in the past?

A. I certainly do. It is a vital part of it. As I said in my book, the employee is management's nearest public.

Q. Well, as you know, in some corporations the so-called internal communications function is completely separate from public relations. It is housed with the employer-employee relations, for instance, and there is an organizational wall between the two departments. I would expect that you feel this wall will have to come down or that there will be a greater understanding on the part of management on the necessity of these two operations working together?

A. Yes. I know of companies where the separation does exist. I also know of other companies where the industrial and public relations responsibility is in the hands of one executive. A practical arrangement, in my opinion, would be for the communications aspect of employee relations to be in the hands of public relations people who are experienced in communications but who, of course, may have no experience in the many other phases of employee relations, such as negotiations. Competitive conditions and rising costs in every direction make it necessary for industry to bend every effort toward getting its problems understood by the work force—and getting the cooperation of that force. This must be done by going direct to the men as well as to their union leaders, with the aim of achieving greater efficiency and holding costs down. This com-

munications task is being enormously complicated and intensified by the rapid strides in automation.

Q. Do you see any new challenges to corporate public relations arising out of one of the problems you mentioned earlier—government influence?

A. The problem of government becomes increasingly more important in the life of any business operation. Management is confronted by two facts of life. One is that the welfare state now is accepted by both political parties—with differences in degree only—while the actual scope and dimensions of the welfare state are ever increasing. The second fact of life is that the cold war is going to continue for the foreseeable future. I don't think people stop to realize we actually are living in wartime. Yes, it's a cold war, it is less severe and more livable than a hot war—but, nevertheless, it is a war and a great deal of our industrial activity and federal budget is devoted to defense. So the cost of big government is going to grow steadily.

There is talk now that Kennedy's next budget will be 87 billions and I think it won't be many years before it is 100 billions. Because of this cost, the government now has a 50-50 stake in business. This fact ought to stimulate the government to adopt policies conducive to business prosperity.

One would think that, if you had over a 50 percent stake in an enterprise, you'd want that enterprise to succeed, make money and prosper. But pulling in the opposite direction are certain groups which, for some reason, seem to be against anything that makes for prosperous enterprise —and some of these groups have immense political power. They oppose the things that help business operations to go smoothly and create jobs, and go for the things that increase the power of government and taxation.

Some of the groups pulling against private enterprise are left-of-center intellectuals and politicians who want the state to have greater controls over business and the economy. They are the people who constantly are saying, "There ought to be a law."

This brings us to the fact that business needs more than ever to make its voice heard in calling attention to any present or proposed restrictions which serve chiefly to cripple industry and hamper its ability to prosper. Perhaps what I am trying to convey is that the need is for a better understanding of the function of profits, actually the necessity for profits if the company is to thrive. Somehow a way must be found to get people to understand that "profits" is not a dirty word. When a business prospers, it earns more for its stockholders, pays more taxes to the gov-

ernment and provides more jobs at better pay.

In essence, getting a public understanding of these simple facts is one of the major jobs confronting the public relations of business today. In other words, how can we persuade the public and the government to support tax and regulatory policies designed to stimulate the whole economy, rather than measures aimed chiefly at punishing the very few who have committed infractions?

Q. In your book, you relate the erosion of management's functions to increased union power. What is the outlook here?

A. There are some indications that management is stiffening its back and is determined that it must rescue the right to manage before it slips beyond recall. This will not be an easy achievement but some managements may succeed—unless prohibited by government interference and partiality. I am not now talking about union "busting." I know of no sensible business manager who wants this or who thinks it could be done, even if he did want it. I am talking only about the fact that many people feel too much power has been put into the hands of big labor union leaders. If this power is used to do irreparable injury to the economy, I think the public in its own self-interest will support and demand some abatement of this power.

Q. Do you foresee any other new challenges to corporate public relations?

A. Yes. Public relations on the international front. There still is too much neglect by people engaged in international business of public relations activity in the countries where they are operating. The world is shrinking by the minute with the multiplying speed of communications and transportation.

Throughout the free world and the neutral world, there is a surging drive toward higher and better standards of living and expanding trade among the nations. America is the yardstick by which the world is measuring the living standards of people. Even Khrushchev said, "Well, we're going to be as good as Americans in ten or fifteen years." Yet, despite all this, the cult of nationalism has spread over many lands, frequently taking the form of anti-Americanism. This has presented American companies engaged in international trade with many new public relations problems.

To a certain extent, some companies have helped to intensify their own problems by their complete neglect or inept handling of public relations abroad. Many companies with the finest kind of public relations at home have given little or no attention to public relations for their com-

panies abroad.

I often wonder why companies have this attitude and I suppose it's because the foreign land seems remote and far away. They think of public relations only in terms of product introduction and promotion, and ignore the whole field of public attitudes, governmental policy and corporate identity, any one of which may be crucial to their survival in the host country.

Companies send people who are salesmen and they are told to make certain quotas and they have no franchise to do anything else. They completely muff all the overtones of human relations which are so obvious to companies at home. The result is that the record is full of blunders, due to utter lack of attention to political and public attitudes, and no communications procedures whatever. It is here that more and more American companies are finding it expedient to revise their thinking and develop a whole new concept.

Not only is this important from the selfish viewpoint of business, but it is important in the over-all international relations of the United States. Inevitably what the American businessman says and does in a foreign country will have a cumulative effect on what the government and people think of America.

Q. Millions of dollars have been spent on economic education in the past fifteen years. Has it all been worth while? Can it be done more efficiently?

A. There is no question that the investment has been worth while. Polls of public opinion—including manufacturing employees, students and others, show that there is steadily increasing understanding of the economic facts of life. One major reason the Eisenhower administration was able to stop runaway inflation was that strong appeals were made to the American people—both by the administration and by business leaders —and the public responded vigorously. This response would not have come if people had not understood the essential economic arguments that were presented to them.

Obviously, economic education should be continued and should be flexibly adapted to developing conditions in the economy.

Despite the progress made, it is fair to ask why the effort has not had even greater effectiveness. The reason, most likely, is because the techniques and approaches need improving. The task is a most difficult one, when you think of the widespread economic illiteracy; the innate tendency of people to consider only their immediate selfish interests without regard to future or broad consequences; the hard fact that many people are

swayed by emotions rather than facts; and the vast amount of effort devoted to spreading economic lies, distortion and confusion among the people.

The need for economic education increases year by year. It is obvious that, to the extent economic understanding grows, political demagogues and purveyors of crackpot nostrums will have less pulling power. No task facing public relations research is of greater importance than that of exploring and developing more effective methods and techniques of telling the story of sound economics to people in understandable, interesting, believable, and convincing ways—in ways which will be in terms of the people's own self-interest. A good place to start on this research is to find out what the reaction of employees is to the various forms and kinds of communication from management.

Q. Specifically what are the social, cultural and economic values which your book calls "the most important ones" for corporations to preserve or build?

A. An increasing number of companies are adopting policies which reflect a sense of corporate obligation to the development of the nation's social and economic strengths.

Education is an extremely important value socially, culturally, and economically. Corporate aid to education has more than tripled over the past decade, to an estimated $150 million in 1960.

Another intangible value important to build is citizens' participation in the political processes of the country. Increasingly, corporations are helping to foster this basic freedom, not only by urging their employees to vote, but by encouraging them to participate actively in political and public affairs.

The importance of maintaining the fundamental strength of free enterprise grows greater as our responsibilities of free world leadership become more intense. Business, in large part, has come to recognize that our system is the showcase of free enterprise, and more conscious effort is being made by business managements to advance free enterprise concepts as a matter of not only good business, but of essentiality to free world victory in the battle with communism.

Q. Are you satisfied that present concepts of what stockholder relations ought to be are adequate?

A. No one in production, marketing or research ever will tell you that he is satisfied that present concepts of his operations are adequate. American business has become so great because we have thrived on dis-

satisfaction, constantly seeking better ways to utilize science, to build, and to sell. This same thing has to be true in the public relations area of business. So I would not say that present concepts of stockholder relations programs are adequate. There is considerable room for improvement. Some corporations do an outstanding job of keeping their stockholders informed through a variety of means of communications. Many others are content to issue an annual report, and some fall far short of properly informing stockholders in the annual report itself. We still have some corporations who hold their annual meetings in out-of-the-way localities. This may discourage stockholder relations more than they realize.

There is no question but that steadily widening ownership of securities is a reflection of efforts by the great majority of businesses to steadily improve their stockholder relations programs. The apathy of many stockholders is regrettable but I believe interest is growing and, to the extent that this keeps management on its toes, the benefits are obvious.

Q. Are corporations doing enough to "make their support evident in every kind of community enterprise that contributes to human progress?"

A. Whether they are doing enough, of course, depends upon the individual corporation but, on the whole, there certainly has been great progress. Evidence of this is found in contributions to all kinds of local community causes. In a growing number of companies, local managers are given allocations of funds for use in their respective communities, the division and distribution of the funds among the several causes being left to the discretion of the local managers. This is an improvement over the old method of having the local manager refer each and every request for a contribution to headquarters.

But, aside from financial giving, business leadership is increasingly contributing time and talents of corporate personnel to worthy causes. Corporate leaders themselves are giving much of their own time and leadership abilities and are vigorously encouraging employees to carry out their full share of citizenship responsibilities.

Q. Any comment on other aspects of the job of corporate public relations?

A. There still persists a great deal of misunderstanding about the true nature and function of public relations. To think of it as press relations alone, or even of communications alone, is to miss the whole point. Before there can be any communications, there must be policy decisions and these will depend upon the attitude of top management. If management has a completely opportunistic or tongue-in-cheek attitude toward

the public interest and public relations, it can make no reliable public relations decisions. But, if management is motivated by a genuine comprehension of the implications of corporate actions, public relations decisions are more likely to be circumspect and sound.

Fortunately, more and more corporations today have public relations officers whose voices are heard by top management in the formulation of public relations policy. When policy requires implementation through communications of any sort, practical public relations experience and judgment are needed to determine what to communicate, when, to whom and through what media.

Q. Well—how good a job do you think public relations people have done to win the confidence of management through their grasp of corporate problems and their courage sometimes to point out the proper public relations course?

A. I think that is a difficult question to answer. It depends on the individual, of course. Some have done good jobs and some have done poor jobs. On the whole, however, great progress has been made. I can name you any number of people inside companies who are vice presidents or directors of public relations who have great respect from management. This is because they are able to articulate what they feel and to give intelligent counsel. They are not hesitant to say what they think. But, neither the outside counsel nor the public relations man inside the company can make policy. Policy has to be made by top management. In some cases, of course, the man responsible for the public relations of a company is a part of top management. That, of course, is the ideal situation.

Q. How do you feel personally about the wave of the future as to counsel or inside management executives and departments? In other words, do you feel the counseling field will grow or do you think that growth is more likely to come internally?

A. Both counseling and inside public relations departments will continue to grow—and should. I think it is essential for any medium to large corporation to have day-to-day service within the family. I also think, however, that any such company will benefit from the objective outside point of view from public relations counsel. Problems of public relations today are so complex that it is valuable to have a coalition of viewpoints and ideas rather than just the inspiration of one man, wherever he may be located. I have not yet met the man who has all the answers to all the questions that rise in public relations today. To me, those who pretend to such omniscience do not deserve to be taken seriously. Nothing

is so absurd as one with a Messiah complex in public relations.

Q. Does this mean that the value of the one-man corporate counseling firms which have been springing up is questionable?

A. No, of course not. Most of us in the counseling business started as small firms. Growth came as the needs of clients expanded, and this has led to the grouping of abilities, skills, experience and judgments. Thus, we have developed in America, as nowhere else in the world, substantial organizations adequate to cope with the large national and international public relations problems of corporate business. •

The Ethics of PR—A Challenge

"What simple yet typical violations of PR ethics at the professional level can the merged PRSA tackle? One common practice frowned upon by any ethical association is the pirating of an account. This is done sometimes by unethical presentations to another's client, damning the work of a competing firm—strictly a code violation with the new PRSA. As in law or medicine, artificially stimulated inroads into another man's practice form a large part of professional complaints handled by this sort of craft society.

"Yet far graver, and more difficult to prosecute within the industry, are common PR practices involving the unethical taking of money. Mr. X is on the payroll of Company Y, yet is paid a fee by certain media to channel exclusive stories to those media alone. Paid also by his company to get its product or corporate image properly before the largest possible public, Mr. X is quite naturally guilty, in the eyes of PRSA, of unethical business practices, which will take him automatically off the PRSA roster and open his case to public prosecution.

"So widespread are unethical PR practices (distorting facts for national publication to make a more sensational story is most common) that any genuine policing power in this direction is bound to tread on some toes, including those of PRSA's members. But if new trumpets are to sound at all, if the new merger is to mean anything, if PRSA sincerely and genuinely intends to attack at their roots the insidious diseases manifest in public relations, toes will have to suffer for the better health of the general public body."

—Richard L. Tobin, Communications, ***The Saturday Review***

* * *

The Villain in the Piece

"But to John F. Lyons of the Bronx, a senior in communication arts at Fordham College, New York, the corps appeared to be 'a public-relations gimmick to boost the program of the New Frontier.'"

—News story on Peace Corps, *New York Times*

* * *

"In this era of public relations—when the doctored or fabricated event is the norm, and headlines are administered like hypodermics—a heavy snowfall is one of the things that nobody can tamper with."

—Margaret Halsey, "This Demi-Paradise"
Simon & Schuster, 1960

COST ACCOUNTING IN THE PUBLIC RELATIONS FIRM

by Alfred G. Paulson

THE PR practitioner who has seen his profit margins dwindle becomes increasingly conscious of the profitability of all his accounts and the performance of the personnel on his payroll. His first attempt to solve this problem is in arriving at fees for his services on the basis of elapsed time; secondly, he tries to improve account analysis by insisting on more efficient cost accounting methods.

Cost accounting and time billing go hand in hand, since the most important requirement of both is the need for a simple time reporting system. In manufacturing operations, cost accounting demands more than just time reporting. There, the total cost of a product is a composite of labor, materials, supplies, and machinery usage, in addition to supervisory and general plant overhead. In public relations, payroll is the single most important element and it is precisely in this area where cost accounting control should be exercised. I would venture to say that the total salary as a percentage of costs in the PR firm is comparable to the one in advertising agencies. The AAAA thirtieth annual analysis of agency costs showed salaries as representing 70.30 percent of agency gross income. This is most likely also true for the PR firm and, of the remaining 30 percent, probably half represents fixed expenses such as rent, and the balance varies in direct proportion to salaries such as payroll taxes and employee benefits.

If you, as a practitioner, are interested in converting to a time system for billing and cost accounting, the first thing you must do is to inaugurate a time reporting system; then, compute billing and cost rates of the personnel in your firm, set up a simple cost accumulation procedure and, after a reasonable accounting period has elapsed, compare these costs with the actual billings to clients.

Time Reporting

The accumulation of time is fundamental to any cost and time billing system. The most frequent method used by executives for recording daily time is a diary.The diary should be large enough to insert explanations, details of work done, persons attending, decisions reached, etc., information which is helpful in later discussions with clients.

After the executive has detailed in his diary the way in which he spent his time, many firms request that the diary be turned in to the accounting department where the time spent for each client is summarized for accounting and (if this is the practice) for billing purposes. The alternative which I would prefer is to have each executive's secretary transcribe the time from the diary into formal time reports, as shown on Exhibit 1.

The time reporting procedure should be uniform throughout the organization. The distinctions made as to what activities are chargeable to clients, for instance, are seldom well defined. As will be shown later, the amount of nonchargeable time has a very significant effect upon the hourly rate you must obtain for your services and in computing the cost of rendering the services. The following is a good guide of what should and should not be charged to clients:

CHARGEABLE	NONCHARGEABLE
Meetings with client and preparing material for the client.	Maintaining relations with publishers, magazine editors, etc.
Interviews, surveys and placement activities.	General office meetings, group conferences, and staff training sessions.
Supervision of mailing and distribution of releases, photography assignments and other visual material prepared for the client.	New business solicitation and preparation of material for potential clients.
Traveling time to client location, as well as Saturday and Sunday time spent with client personnel on client affairs.	Keeping informed about public relations in general.
	Time away from home spent at hotels and at own leisure while on client affairs, as well as purely social activities spent with client personnel during Saturday and Sunday.

Among other considerations that must be resolved in the time reporting procedure is the minimum unit of time which is to be used. In my opinion, the full hour is a satisfactory minimum, but in cases of highly paid surpervisors, the half-hour unit may be more appropriate.

Another question often raised is which individuals shall prepare time reports. Usually only executive personnel who work on the accounts are required to do so, but this does not prevent other non-account personnel, such as the controller, from reporting their time whenever it is spent on client business not directly connected with the ordinary discharge of their responsibilities.

A frequent question is what period of time should each report cover. The most desirable practice is to report on a payroll period basis (from the accounting standpoint, semi-monthly pay periods and time reports offer the ideal combination). In any event, time reports should fit the billing practice (usually the first of the month) and, as such, reports should be prepared at least on the 15th and last day of the month.

RUFFER & FINN INCORPORATED
Time Report

Name G. Green
Period Ended Sept. 15, 1960

1 S	2	3	4	5	6	7	8	9	10	11	12 S	13	14	15		Total Hours	Client & Account
5	2	4	1			3	4	2	2	4			3	3		33	ABC Manufacturing
2		3	5				1						1	4		16	MNO Project - Special Dallas
	7					5		5	5	2			3			27	XYZ Corporation
7	9	7	6			8	5	7	7	6			7	7		76	Total Chargeable
			1				1									2	Meetings
							1									1	Office (general)
																	Sales Promotion
																	Vacation & Holiday
																	Illness
										1						1	Personal
			1				2			1						4	Total Non-Chargeable
7	9	7	7			8	7	7	7	7			7	7		80	GRAND TOTAL

EXHIBIT 1

Standard Payroll Rates

Standard costing is a complicated subject. To simplify things, let me say that in the long run it is better to adopt a standard hour basis for computing hourly costs rather than to go through the burdensome process

of computing actual rates each month on the basis of the reported chargeable time. The reporting standards used by the firm can be very misleading in arriving at hourly costs. For instance, I prefer to include in the computation of hourly rates the salaries of the secretaries as part of the total cost of the executive effort, whereas some firms use separate rates. This also reduces the reporting burden by requiring only the executives to keep track of their time.

The majority of service organizations I am familiar with use the reported average chargeable time of its executive personnel as the basis for computing standard hour cost and billing rates. This is done after an experience study of time reports is made during a selected payroll period, such as six months, and means briefly that the actual salary is divided by the standard hours after allowing for vacation, holidays, sickness, and office general time. Exhibit 2 shows a typical computation of an account executive's hourly cost rate:

Computation of Hourly Cost Rate

Executive's salary			$15,000
Secretary' salary			5,000
Total salary			$20,000
Total annual working hours (37½ per week)		1,950	
Less experience allowance:			
Vacations and holidays	140		
Sickness	35		
Office General	175	350	
Net annual chargeable hours			1,600
Executive hourly cost rate			$12.50

Exhibit 2

For purposes of simplification, all executives within a range of salary, say from $14,000 to $16,000, will have an hourly rate similar to the executive with a salary of $15,000 shown on Exhibit 2. Thus, the PR firm need only classify its personnel in terms of a few standard cost rates such as 10, 12, 14, and 16 dollars per hour.

Before we proceed with our discussion of cost accounting, let's talk a bit more about billing rates. By now, it should be evident that in order to bill on a time basis, one must go through the computation of hourly cost rates of the personnel who will be billed on a time basis. After the cost is known, the billing rate is determined by multiplying the cost rate by the percentage at which time is to be billed. For instance, if a client and the PR firm agree on a counseling fee per month plus time at 125% of pay-

roll, then the billing rate for the account executive on Exhibit 2 would be $12.50 times 1.25 which equals $15.60; if the percentage is 150%, then the hourly billing rate would be $12.50 times 1.5 or $18.75; at 200%, the billing rate would be $25.

Client Cost Sheets

The basic record for accumulating time charges and miscellaneous expenses associated with a client is the cost sheet as shown on Exhibit 3. The cost sheet provides space for recording payroll hours, payroll costs, fee billings, expense billings and applicable costs.

In order to maintain reasonably accurate cost accounting, direct costs, other than payroll costs, must also be allocated by clients. These would include unbillable costs of outside services or materials, travel and entertainment, long distance telephone, telegrams, etc.

The cost sheets also provide for quarterly summarization of the detailed information with forward balances from the preceding periods. Thus, the account executive has, at a glance, the complete financial history of the client. It also aids him in controlling budgetary expense limitations on any of his accounts. The technique for recording the information on the cost sheet is a simple operation for the bookkeeping department: sales and applicable costs are posted from the sales and cost journal; unbillables from a pre-determined column in the purchase journal; and payroll hours from the semi-monthly time reports.

CLIENT: ABC MANUFACTURING COMPANY
FEE: $4000 MONTH PLUS TIME @ 125%
Expenses not to exceed $37,500

COST SHEET

PERIOD: 4th Qtr. 1960
ACCT. EXEC.: J. Brown

EMPLOYEE	PAYROLL HOURS 9/15	9/31	9/15	9/30	9/15	9/31	TOTAL	$ RATE	AMOUNT	EXPENSE COSTS A & C P.R. Commission	EXPENSE COSTS OUTSIDE	DATE	BILLINGS Retainer Fee	BILLINGS Expenses	OTHER
H. Smith	5½	13	12	11	15	5½	62	20	$ 1240			10/11	$ 4000		
J. Brown	70	56	64	60	85	81	416	14	5824			10/7	4500		
G. Green	45	55	60	30	33	29	252	12	3024	93	2,173	10/28		2,173	
J. Field	15	7	30	20	18	10	101	12	1212			11/1	4000		
A. Sloan	5	15	31	17	21	9	118	10	1180			11/9	4705		
										271	3,081	11/26		3,021	
												12/1	4000		
												12/8	5815		
										86	2,227	12/27		2,227	
TOTAL THIS PERIOD							949		12,480	450	7,481		27,020	7,421	Total this Quarter
PRIOR PERIODS															
	2nd Qtr - 1960						897		11,505	351	5,623		30,327	5,623	Previous
	3rd Qtr - 1960						883		10,340	553	8,272		29,620	8,272	Quarters
YEAR TO DATE							2,729		34,325	1,354	21,376		86,967	21,316	Total to date

Total hours
Total Payroll cost
Total unbillables
Expenses billed - costs
Total billings
Expenses billed - income

Exhibit 3

I do not advise attempting to allocate specific indirect costs: Because such costs are much more under the control of top management than of the account executives, it is hardly logical to judge the performance of the latter on the basis of costs which they cannot control. For statement purposes, an allocation of the total indirect expenses on the basis of payroll dollars seems to be sufficient.

Exhibit 4 shows how the ratio of overhead to payroll is computed for PR Firm:

PR Firm
Computation of Overhead Ratio

Account Executive and secretary payroll—actual	$333,000
Less: Time costs allocated to Client Cost Sheets at standard rates	341,000
Favorable payroll variance	(8,000)
All indirect expenses (overhead), including management and administrative salaries not chargeable to clients—actual	333,000
Net overhead to be allocated	$325,000
Overhead ratio: $325,000 as a percentage to time costs of $341,000	95.3

Exhibit 4

The above table shows that in computing standard hourly charges to client, we allocated to the costs sheets as payroll costs an amount ($341,000) which was in excess ($8,000) of the actual payroll for the month ($333,000). This variance is the result of some executives working in excess of the standard hours, so that instead of their actual costs, they reported time charges to clients which exceeded their actual salaries. Thus, instead of overhead ($333,000) showing a ratio to actual payroll ($333,000) of one to one, it becomes 95.3% of standard payroll costs. In other periods, payroll may show an unfavorable variance with the result that the overhead ratio is higher than the one to one ratio it has to actual payroll.

Account Statements:

How does an account analysis look when prepared from these cost accounting records? How frequent are these analyses prepared? These reports can be as detailed as shown in the cost sheet, or they can take the form of a conventional statement of profit and loss. As to frequency, the data in the cost sheet is constantly being updated so that reports can be issued monthly or whenever is necessary. At Ruder & Finn, I have regular

quarterly reports prepared showing profit and loss figures for all accounts and summarized in terms of group responsibility. This means I show a sub-total for all the accounts which are the responsibility of a Group executive. Individual account analyses are issued upon request and certainly at the time when we are discussing budgets with the client.

Exhibit 5 shows a typical report for the ABC Manufacturing Co., a client of PR Firm.

PR Firm
ABC Manufacturing Company—Account Analysis
For the 9 Months Ended 12/31/61

	Hrs.	Std. Cost	Amount		%
Counseling fee @ $4,000 per month				$36,000	41.4
Time billings				50,967	58.6
Total fees				$86,967	100.0
Payroll costs:					
H. Smith VP	231	20	4,625		
J. Brown A/E	1,154	14	16,150		
G. Green Asst.	733	12	8,800		
J. Field RadioTV	252	12	3,025		
A. Simms Research	172	10	1,725	34,325	39.5
Expenses billed to client—cost			$21,376		
Less—actual payments			21,316		
			$ 60		
Expenses of executives on the account not billed to client			$ 1,354	1,414	1.6
Total direct costs				$35,739	41.1
Overhead expenses @ 95.3 of payroll				32,712	37.6
Total costs and overhead				$68,451	78.7
Net contribution towards incentives, income taxes and retained earnings				$18,516	21.3

Exhibit 5

The statement for the ABC Manufacturing Company tells us that after paying for all payroll and direct costs and applicable overhead, the fees paid by the client resulted in a $18,516 profit. This 21.3% profit is not the usual "net profit" we speak of when we talk about profit and loss statements of manufacturing companies. The profit of PR Firm is to be reduced by year-end bonuses to the personnel, the profit-sharing plan contributions and Federal and State income taxes, and the remainder would be the Firm's "net profit."

Obviously, the statement is a favorable one. In retrospect, however, the practitioner expected a 33.3% profit on this account. He had estimated payroll costs during the 9 months in 1960 of $24,000, and an equal amount for overhead and for profit. Of the total $72,000, he told the client he would bill half, or $36,000, as counseling fee and the balance on a time basis at 150% of actual payroll costs. The actual time costs were 50% larger than anticipated and although time billings at 150% salaries were sufficient to recover the payroll costs involved, the counseling fee remained unchanged with the result that payroll, instead of being 33.3% of total fees, has jumped to 39.5%. The end result was a reduction in the anticipated profit. What would have been the case had the practitioner agreed with the client on a $72,000 flat fee? Obviously, he would have reported a profit of only $3,549 ($72,000 less costs of $68,451) which may be enough to pay his year-end bonus of 10% of salaries (PR Firm's policy, profits permitting) but not enough to cover a pro rata share of the profit sharing fund contribution and of the income taxes owed the governments. Other more profitable accounts will have to foot the bill.

There is no reason in the world why PR firms can't change to a billing system based on time and still continue fixed retainer fee agreements with some of its clients. Fixed fee arrangements should be made with the understanding that the retainer fee will be examined periodically to determine how it stands in relation to the time being spent on the account. The usefulness of cost reports and the accumulation of a factual story of the time spent and expenses incurred can make it possible for the firm and the client to get together on a much sounder basis.

Conclusion:

The growth of the public relations profession from a single practitioner's office to large and complex organizations has brought with it a recognition of the need for professional business management. Separate administrative divisions to manage the corporate affairs have been set up and many have adopted advanced accounting techniques to help them in their management of the business and analysis of their relationships with clients. This improvement in costs analysis can now tell firm owners whether they are spending more in services for the clients than they are getting in fees. The knowledge that the practitioner has gained from these cost accounting systems does not solve the problem, but it does provide a basis for realistic appraisal and discussion with clients of their fee arrangements. ●

ADDITIONAL NOTES ON THE

RAILROAD-TRUCKER CASE

by EDWIN C. KEPLER

IN THE FINAL ROUND, the railroads won. The Supreme Court of the United States reversed the decision of the lower Courts, finding that the defendants in the railroad-trucker case (more correctly, Eastern Railroad Presidents' Conference, et al., Petitioners, v. Noerr Motor Freight, Inc., et al.) had not violated the Sherman Anti-trust Act while engaged in publicity campaigns designed to influence the passage of legislation.

Mr. Justice Black delivered the opinion of the Court. The reversal cleared the air regarding the legality of a certain type of publicity campaign. But it did nothing to erase the stigma of what the Court called the "reprehensible deception" engaged in by both parties.

The public relations practice the Court singled out for particular attention was the use of the third party technique. It was, Justice Black said, "aptly characterized by the District Court as involving 'deception of the public, manufacture of bogus sources of reference, (and) distortion of public sources of information.'"

"We can certainly agree with the courts below," added the Supreme Court, "that this technique, though in widespread use among practitioners of the art of public relations, is one which falls far short of the ethical standards generally approved in this country."

As evidence of "widespread use" the Supreme Court noted the finding of the District Court that "each of the several public relations firms interviewed by the railroads before they finally decided to hire the Byoir (Carl Byoir & Associates, Inc.) organization to conduct their publicity campaign included the use of this technique in its outline of proposed activities submitted for consideration by the railroads."

(It may be noted that this evidence of itself does not constitute proof of "widespread use" of the third party technique. No other supporting evidence is cited. Perhaps some of the damage done to the reputation of public relations by this case might be repaired by finding out just how "widespread" the use of this technique really is.)

"Regardless of the ethics involved," said the Court, "it does not follow that the use of the (third party) technique in a publicity campaign designed to influence government action constitutes a violation of the Sherman Act."

The fact that the railroad publicity was intended to influence legislation proved to be of key importance. The Court held, as had the lower court, that "no violation of the Act can be predicated upon mere attempts to influence the passage or enforcement of laws."

"A construction of the Sherman Act that would disqualify people from taking a public position on matters in which they are financially interested would thus deprive the government of a valuable source of information and, at the same time, deprive the people of their right to petition in the very instances in which that right may be most important to them."

The District Court had found that the publicity of the railroads went beyond attempting to influence legislation and, in fact, was an attempt to hurt the truckers in every way possible, even though the railroads secured no legislation. But the Supreme Court rejected this finding.

"There are no specific findings that the railroads attempted directly to persuade anyone not to deal with the truckers. Moreover, all of the evidence in the record, both oral and documentary, deals with the railroads' efforts to influence the passage and enforcement of laws."

In this light, the Court said, "the question of whether or not the truckers sustained some injury is not relevant."

"It is inevitable, whenever an attempt is made to influence legislation by a campaign of publicity, that an incidental effect of that campaign may be the infliction of some direct injury upon the interests of the party against whom the campaign is directed." Further, "to hold that the knowing infliction of such injuries renders the campaign itself illegal would be tantamount to outlawing all such campaigns."

However the Court added a warning: "There may be situations in which a publicity campaign, ostensibly directed toward influencing governmental action, is a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor and the application of the Sherman Act would be justified. But that certainly is not the case here."

Thus, the railroads won the court fight. And public relations apparently won a clear legal right to undertake publicity campaigns of a political nature without fear of Sherman Act violations. ●

BOOK REVIEW

ETHICS IN A BUSINESS SOCIETY
By MARQUIS W. CHILDS AND DOUGLASS CATER
Harper & Bros., New York: 1954. 180 pp., $2.75

RHEUM AT THE TOP

If the American businessman has not completely substituted saving the sale for saving the soul,[1] he is nevertheless in trouble for what are alleged to be some very dubious ethical practices. He has been caught in the courts for infringement of the anti-trust laws; as a top corporate executive, he has profited privately from his managerial position. And increasingly there is evidence that we are confronted, not with occasional apples, but with attitudes that seem to pervade the whole business barrel. The results are visible in two areas equally vital for public relations.

In one area, there is a sharp increase in the number of business's Gawdsakers—H. G. Well's phrase for those who run around crying, "For Gawd's sakes, let's do something." So far, what the Gawdsakers seem to have uppermost in mind are codes of ethics. The Chamber of Commerce quickly confirmed its 37 year old code. Secretary of Commerce Hodges has picked a cosmopolitan group to write a modern code and New York's Senator Javits has proposed some commandments of his own.

The other area which public relations cannot afford to overlook is an increasingly public hostility toward business, not because it wants perversely to sentence a whole community for what some executives have called "the infractions of a few," but because the public is beginning to show signs of believing that if you scratch a businessman you'll find a beast. To be sure, private enterprise has never received a clean bill of ethical health, even from the man voted "done the most for his class." Adam Smith described businessmen as "an order of men whose interst is never exactly the same with that of the public, who have generally an interest to deceive and even to oppose the public and who accordingly have upon many occasions both deceived and oppressed it." And De Toqueville pointed out, almost apologetically, that businessmen "have glimpses of the rules of honor, but they seldom have time to fix attention upon them."

[1] "We thought we were doing a job for . . . customers." (Westinghouse executive before the Kefauver Committee, explaining why his company's managers had broken the anti-trust laws.)

Somewhat less than apologetic today are the newspapers which are normally sympathetic to the business causes. For example, *The New York Times* wrote recently: "Government and other customers had better look to something more concrete than business morality and respect for law to get a dollar's worth for a dollar charged." And, on another occasion: "The namby-pamby policy declarations, on which these two great associations of industry (NAM and C of C) have relied for many years, are no answer to the sorry incidents that have weakened public confidence in business morality."

This state of affairs has already engendered several reactions from public relations. Some companies have spoken loudly and often; others have maintained a hopeful silence. Brashness has rallied the diehards to the barricades; reticence has warded off the retribution of flattened sales curves. Neither brashness nor reticence has contributed a whit toward a solution of the problem of business ethics, if there is a problem of business ethics. This indeed is the dilemma that public relations faces, for there is every indication that what is commonly called the problem of business ethics is instead a vastly more complicated issue stemming from the interreaction of modern technology and organization. And before public relations draws plans to engineer a new consent it needs to reexamine carefully an analysis that was published seven years ago.

Remember?

Summing up and interpreting six studies conducted under the auspices of the Federal Council of Churches, Marquis Childs and Douglass Cater's *Ethics in A Business Society* was widely received by the public, in the schoolrooms and the corporate towers as well. It has sold well over 100,000 copies in both hard and soft cover editions and was bought in bulk for the use of executives by at least one of the companies involved in the electrical conspiracies. *Ethics* obviously impacted hard and impressed hardly at all! The reason is not hard to find, for Childs and Cater were confronting businessmen with the necessity for a bootstrap operation. "From these studies the conclusion emerges," they wrote, "that we shall achieve the redemption of ourselves and our society only by the voluntary acceptance of the brotherhood of man; by the free and ever-increasing incorporation into the very fabric of our society of the great inheritance that has come down to us out of the Greco-Judeao-Christian tradition." And in another instance, "little is gained in moving from a society trusting blindly in Adam Smith's 'unseen hand' to a society presided over by the 'gladhand.' In such a society, the businessman would find little to guide

him when confronted by a true moral issue—when, for instance, self-interest and social interest are in direct conflict."

But Childs and Cater were trying not to erect a stone wall of impossibilities, but to analyze and bring together the forces that impinge on business conduct in a modern, free economic society. The studies on which *Ethics* is based are:

1. An inter-disciplinary symposium on "The Goals of Economic Life."
2. A study by Kenneth Boulding on what he calls the "organizational revolution."
3. Professor Howard R. Bowen's "The Social Responsibility of the Businessman."
4. "American Income and Its Use" by Professor E. E. Hoyt.
5. "Attitudes and Opinions of People on the American Economy," a national survey.
6. "Christian Values and Economic Life" with contributions by both economists and theologians.

Whether they are discussing the heritage of 19th century individualism, the facts and fantasies of free enterprise or the pressures of a technological environment, Childs and Cater time and time again return to the businessman's dilemma: "He must somehow try to reconcile what one observer has described as the impersonal imperative of profit and efficiency with the personal imperative of Christian ethics." And he must do this in the face of a burgeoning technology that demands larger and larger organizations for efficiency and imposes greater and greater strains through the whole economy.

The Perils of Professionalism

Altogether, in a time of business troubles, *Ethics in a Business Society,* as business once recognized, is a superb diagnosis—an analysis, in Childs' and Cater's words, "of the perilous place in which we find ourselves and of the confused and careless way by which we got there." In this context, the role of public relations must be to help its clients look objectively at the whole question of business ethics and to decide whether the question is solely one of business practices and morality, or equally a matter of organization and the dubious concept of the professional business manager which may be producing some sterile conventional wisdoms of their own.

The professional is after all an expert; the business manager must be a generalist. But far from being a high-priced jack-of-all-trades, he needs to cultivate a fine judgmental sense, a sophistication of internal poli-

tical relationships, an ability to anticipate generating trends. Just how many of these attributes can be taught or acquired as part of the paraphernalia of professionalism is dubious. As Hannah Arendt[2] pointed out recently: "Unpredictability is not a lack of foresight and no engineering management of human affairs will ever be able to eliminate it, just as no training in prudence can ever lead to the wisdom of knowing what one does."

More likely management will find some of the answers it needs in discovering ways to acquire necessary information and communicate it within the organization and to the public. Surely this, rather than the creation of codes of ethics, is the job of public relations. Otherwise, its clients would have every reason to agree with Marquis Childs and Douglass Cater that answers to the questions arising from the business community's transgressions lie "over and beyond the science of public relations." ●

—DON COLEN

PUBLIC RELATIONS PRINCIPLES, CASES AND PROBLEMS

By BERTRAND R. CANFIELD. *Richard D. Irwin, Inc., Homewood, Illinois,* 1960, 617 pp., $9.00

One keeps hoping for a public relations text book that does not disappoint. Bertrand R. Canfield's "completely rewritten" third edition of *Public Relations Principles, Cases and Problems* does. True, the book has its merits. The author has assembled—disassembled would be more accurate—information and materials from some three dozen corporations and business associations which he cites copiously. His reporting of company programs appears comprehensive, if not penetrating, and his attention ranges over almost every aspect of public relations practice. Mr. Canfield has been a conscientious laborer in the vineyard. He has heaped an abundance of grapes in the *botte.* But where is the barefoot boy who will trample them into wisdom's wine?

Not Mr. Canfield. His conceptualization of public relations is conventional. His critical faculty is presumably reserved for other uses. He makes few attempts to analyze or evaluate either the concepts or the program materials he reports, and when he does he is more Pollyannaish than forthright. The public relations field needs champions, heaven knows, but to represent the field as being purer and more successful than it is to make sinners and failures of us all.

—E.C.K.

[2] *Between Past and Future,* Viking Press: New York, 1961.

BACON'S PUBLICITY CHECKER

R. H. Bacon Company, Chicago, 1961, 9th Annual Edition, 368 pp., $25.00

What happens to a given mailing list in a year? The publishers of *Bacon's Publicity Checker* can tell you exactly. Last year's edition listed 3,567 publications, and to bring it up to date more than 4,000 changes were made. If for nothing else, this valuable service would be worth the price of admission.

The *Publicity Checker,* in case anyone doesn't know, is an authoritative listing of business, trade, farm and consumer magazines published in the United States and Canada. The 1961 Edition classifies 3,646 publications into 99 market groups, or fields of interest. Each listing gives the full name of the publication, address, editor, frequency and date of issues, total circulation and the name of the publishing company or organization. Every publication is coded to show exactly what type of publicity is used.

In addition, the revision service, inaugurated last year, has been refined. Users automatically receive revision supplements in February, May and August. The revision sheets are printed on colored stock that is gummed and perforated. Revised listings are reprinted in their entirety so that they may be striped in over the old listing.

THE WORKING PRESS OF THE NATION

The National Research Bureau, Inc., Chicago, 1961, three volumes, 1400 pp., $49.50. ($25.00 per volume).

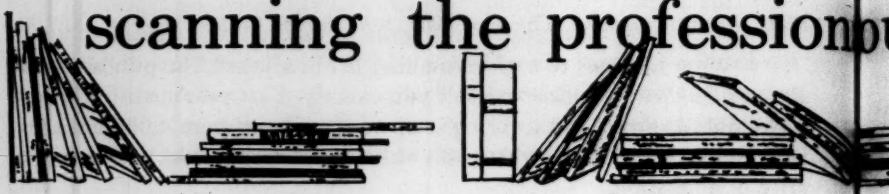
Another perennial public relations reference work, now in its fifteenth year of publication, is the three volume *Working Press of the Nation.* More than 100,000 key executives, editors and assistants under more than 100 different news classifications for newspapers, magazines, radio and television stations are listed.

Volume I, the *Newspaper and Allied Service Directory,* carries all of the daily newspapers in the United States and Canada. In addition, there are listings of news services, feature syndicates, newsreels and photo services.

Volume II, the *Magazine and Editorial Directory,* has a listing of 2700 magazines, both alphabetically and by fields of interest.

Volume III, the *Radio, Television Editorial Directory* gives full information and personnel for each radio and television station in the United States and Canada. There is a cross reference of personnel by categories.

scanning the profession



HOW TO KEEP 'EM ON THE WAGON

"Value, Information, and Conformity Behavior," by Aaron F. Snyder, Evansville State Hospital, Evansville, Indiana; Walter Mischel, Harvard University, and Bernice Eisman Lott, Kentucky State College, in the *Journal of Personality,* Vol. 28, No. 3.

The "band wagon effect" is, of course, a hoary standard in persuasion technique. There always has been disagreement as to its potency in one situation or another, but history tells not of the day when the device was unused. Today, in product selling, where cause and effect are in relatively simple relationship and where study of persuasive technique has been most intensive, the band wagon effect is widely employed. The fact that "more people" buy a given car or cigarette is found to be a moving reason for yet one more buyer to invest in that very brand.

This band wagon effect is what the the researchers listed above have in mind when they refer to "conformity behavior." They assume, and no doubt safely, that there is some relationship between the way we observe others to act and the way we ourselves then act. If I observe a painting, for example, and have information to the effect that many other persons consider the painting to be a most admirable one, there is a tendency for me to take into account the reactions of others as I form and express my own.

The researchers assumed that a person would tend to conform to what he felt was the predominant reaction of others to the painting. Against this background, they asked two questions and sought the answers. First they found, not unpredictably, that the person with more information about art had less tendency to conform than the person with less information.

Their work might serve two purposes for the public relations man. For one thing, it backs up, with the results of careful research, a theory which might otherwise have rested mainly on guess. For another, the report might stimulate the professional persuader to ask himself whether it really is true that his ends always are served by that hard-hitting "information program." Information could negate a band wagon effect.

ournals

Each quarter Dr. Donald W. Krimel selects items from the various professional journals in the social sciences which have implications for the public relations field.—Ed.

The second question investigated by the authors was this: If a person thinks the matter at hand is of great importance, rather than of little importance, will this lessen his tendency to "get on the band wagon" as far as his opinions about the matter are concerned? They found that it would. The lesson seems to be that if you want conformity behavior from a person about a given matter, you should not increase the importance of the matter to him—and you should not increase his information about the matter.

WE BUY AMERICAN—OPINIONS

"Effects of Reference Group and Status on Opinion Change," by John B. Adams, University of North Carolina, in *Journalism Quarterly,* Vol. 37, No. 3.

Suppose that a famous Briton makes a statement on a given subject. Is an American reader's reaction, in terms of opinion change, likely to be different from what it would be if a famous American had made the same statement? And then try the same question with a little-known Briton and a little-known American as the sources. Adams did this. He used nationalism versus internationalism as his opinion change area. Here is how the results looked, very much in brief:

No matter which side of the issue an American supported—either nationalism or internationalism—the American response group swung toward the American-supported position. As to amount of opinion change obtained, it did not seem to matter much whether the American was a famous man or a little-known person.

HAVE SOME DAILY INSIGHTS

"How Editors Use Research on the Minneapolis Dailies," by Sidney S. Goldish, *Minneapolis Star* and *Tribune,* in *Journalism Quarterly,* Vol. 37, No. 3.

The research director of two large Minneapolis papers explains why research is valuable to a news publication, and a little about how he thinks it should be done. In so doing, he gives some gleanings of his probing years. Samples:

1. Outside of Page 1, any given item of news content has a one-in-five chance, on the average, of being read by the typical adult teader.

2. Short news items grouped under standing heads—the "News in Brief" type of thing—are well read; they frequently get readership scores of 50% to 60%.

3. The best-read stories are rarely the ones given top play on Page 1, and often they are not on Page 1 at all.

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